



Tayside and Central Scotland
Transport Partnership

**TAYSIDE AND CENTRAL SCOTLAND
TRANSPORT PARTNERSHIP**

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2007**

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

STATEMENT OF ACCOUNTS 2006/2007

CONTENTS

| | <u>Page No</u> |
|---|----------------|
| Members and Officials 2006/2007 | 2 |
| Report by Partnership Director | 4 |
| Explanatory Foreword by Treasurer | 5 |
| Statement of Accounting Policies | 9 |
| Core Financial Statements | |
| Income and Expenditure Account | 10 |
| Statement of Movement on the General Fund Balance | 11 |
| Statement of Total Recognised Gains and Losses | 12 |
| Balance Sheet | 13 |
| Cash Flow Statement | 14 |
| Notes to the Core Financial Statements | 15 |
| Statement on the System of Internal Financial Control | 22 |
| Statement of Responsibilities for the Statement of Accounts | 23 |
| Independent Auditors' Report | 24 |

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

MEMBERS AND OFFICIALS 2006/07

ABOUT THE PARTNERSHIP

The Regional Transport Partnerships will work with local councils and the Scottish Executive developing Scotland's transport infrastructure, promoting economic growth, social inclusion and sustainable development, via a safe, integrated, and efficient network of roads, rail, sea and air.

MEMBERSHIP

The Regional Transport Partnerships (Establishment, Membership and Constitution) (Scotland) Order 2005 largely determined the structure of the Partnership. As set out in the Order, Tayside and Central Scotland Transport Partnership (*Tactran*) has ten Councillor members, five non-Councillor members and may appoint any such number of observers as they consider appropriate (all appointments being subject to the consent of the Scottish Ministers).

Tactran Partnership Director

Eric Guthrie took up post as Partnership Director on 17 July 2006. He has 27 years experience in transport, most of this in the fields of public transport co-ordination and transportation with local government. Most recently he was employed as Head of Transportation with Aberdeenshire Council, from March 2000 until his appointment with *Tactran*.

As the Partnership's Chief Officer, Eric is responsible for ensuring that the Partnership meets all of its statutory duties and for managing the Partnership and its resources.

Tactran Travel Plan Officer

Merry Scott took up the post of Travel Plan Officer on 1 January 2007. Merry joined *Tactran* from Dundee City Council and she has 4 years travel plan experience. She has just completed the Travel Plan Strategy and Action plan and is currently working towards the Scottish Executive's guidelines for implementing travel plans in the region. Merry is a member of the Chartered Institute of Logistics and Transport and is working towards Chartered status by studying for a Masters in Passenger Transport Management.

Tactran Office Manager / Personal Assistant to Director

Ashley Aird took up the post of Office Manager / Personal Assistant to Director on 29 January 2007. Ashley joined *Tactran* from the private sector and has 9 years office management / PA experience.

Tactran Councillor Members

The *Tactran* Board includes ten Councillor Members from the four constituent Councils. Following the recent election, the constituent Councils are in the process of appointing their new members for 2007/2008 onwards. The following Councillor Members were in post on 31 March 2007:

| | |
|----------------------------------|--|
| Angus Council | Councillor Kathleen M Ritchie JP (Deputy Chair) Councillor David Selfridge JP |
| Dundee City Council | Councillor Fiona Grant (Deputy Chair) Councillor Kevin Keenan Councillor Rod Wallace |
| Perth and Kinross Council | Councillor John Hulbert Councillor Alan Livingstone (Chair) Councillor John Mair |
| Stirling Council | Councillor John Paterson Councillor Gillie Thomson |

Tactran Non-Councillor Members

The Minister for Transport has also appointed five Non-Councillor Members who were in post on 31 March 2007;

Robert Andrew

Robert has 21 years experience of direct operational and managerial involvement in the bus industry. He is the Chair of the Local Authorities Bus Operators Forum in north-east Scotland and Depute Chairman of Traveline Scotland.

Malcolm Horner

Malcolm has a deep understanding of strategic transport issues and how they impact the local and national economy. He has a broad experience of working at board level in both private and public organisations.

Margaret Duffy

Margaret Duffy is Chief Operating Officer of Forth Valley Health Board and has held a number of senior positions within the NHS, prior to which she worked in the field of financial management within the private sector.

Bill Wright

Bill has 18 years experience at senior management level. Bill has long taken a close interest in all aspects of sustainable transport. He is a Director of Cycling Scotland and was previously a Director of Sustrans.

Gavin Roser

Gavin has 40 years of transport experience and he is well known for lateral vision in all modes of freight transport. He comes from a background of senior appointments with road, rail and shipping companies.

In addition, the following non-Councillor Member was appointed during 2006/2007 but resigned during the year:

Paula Woolgar

Paula had experience of working at a strategic level through her role with the Scottish Environment Protection Agency.

Tactran Observers

The Transport Act enables Regional Transport Partnerships to appoint advisors/observers, to assist the work of the Partnerships. *Tactran* will be giving consideration to the requirement for advisors/observers as the emerging Regional Transport Strategy develops.

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

REPORT BY PARTNERSHIP DIRECTOR

INTRODUCTION

Tactran is one of seven Regional Transport Partnerships (RTP's) created under the Transport (Scotland) Act 2005 to oversee the strategic planning and delivery of transport at a regional level. Covering the Angus, Dundee City, Perth & Kinross and Stirling Council areas, we are currently a "Model 1" RTP, whose main statutory duties are to prepare a Regional Transport Strategy (RTS) by 31 March 2007; to coordinate the delivery of the Strategy; and to engage in Community Planning.

ACHIEVEMENTS

This report briefly outlines the progress the Partnership has made in this, its first full year, 2006/2007.

Our primary statutory responsibility and focus during the period to 31 March 2007 has been to develop, consult on and submit to Ministers, a Regional Transport Strategy, which sets out a vision and programme for improving the region's transport infrastructure, services and other facilities over the 15 years to 2023. This was a major area of work and I wish to record my thanks and appreciation for the significant efforts made by Partnership Board members and officers, Council officers and consultants in ensuring that the Strategy was submitted by the 31 March deadline. We are awaiting Ministerial approval of the Strategy, which is expected by July 2007.

As a complement to the Strategy, a Travel Plan Strategy and Action Plan was approved in February 2007. This sets out our proposals and measures for ensuring development of effective Travel Plans by Councils and Health Boards by April 2008, in accordance with Scottish Executive requirements.

Through our constituent Councils good progress has been made on delivering our programme of schemes totalling £3.328 million across the *Tactran* region.

The Partnership's operational headquarters at Bordeaux House in Perth was established in March 2007. My thanks to Perth & Kinross Council's Property, Architects, Information Technology and Legal staff for their support in this.

Good progress has been made on developing Corporate Governance policies and procedures. In November 2006 the Partnership approved an initial core staffing establishment of eight and progress is being made on appointing to this. In addition to our core duties, *Tactran* has responded to significant consultations on the National Transport Strategy, rail policy and other issues during the year.

ACKNOWLEDGEMENTS

I would take the opportunity to thank the Chair and other members of the Tayside and Central Scotland Transport Partnership for their support, assistance and co-operation during the period they have served on the Partnership. I wish all outgoing members well in their future endeavours.

I would similarly express my gratitude to the Secretary to the Board, Gillian Taylor, the Treasurer, John Symon, and Legal Officer, Ian Innes, and their respective staff, for their continued advice, support and assistance during the year.

Finally I would record my sincere thanks to my own staff and the many staff within our partner Councils for their hard work, dedication and support in an extremely busy first year for the Partnership.



Eric Guthrie
Partnership Director
Tactran
29 June 2007

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

EXPLANATORY FOREWORD BY TREASURER

1 INTRODUCTION

This foreword is presented as a commentary on the overall financial position of *Tactran* as shown within the Statement of Accounts for 2006/2007 and contains explanations of the major influences on the Partnerships income, expenditure and cash flow.

2 ACCOUNTING POLICIES

The Statement of Accounting Policies sets out the basis upon which the Financial Statements have been prepared and explains the accounting treatment of both general and specific items.

3 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

This statement sets out the main financial responsibilities of the Partnership and the Treasurer.

4 THE FINANCIAL STATEMENTS

Income and Expenditure Account

This statement sets out the budgeted and actual expenditure and income for the Partnership.

Statement of Movement on the General Fund Balance

This statement compares the funding that the Partnership received for the year, taking into account the use of any reserves together with any contributions to funds and reserves.

Statement of Total Recognised Gains and Losses

This statement brings together all the recognised gains and losses of the Partnership during the period.

Balance Sheet

This statement shows the overall financial position of the Partnership as at 31 March 2007.

Cash Flow Statement

This statement details the inflows and outflows of cash arising from revenue and capital transactions during the year.

Notes to the Core Financial Statements

These Notes are intended to give the reader further information which is not separately detailed in the financial statements.

5 STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement sets out the framework within which financial control is managed and reviewed. The main components of the system are listed, together with any significant weaknesses that have been identified and the remedial action taken.

6 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

This statement sets out the main financial responsibilities of the Partnership and the Treasurer.

7 REVENUE EXPENDITURE

The Tayside and Central Scotland Transport Partnership Board, at its meeting on 25 April 2006, approved the final 2006/2007 Core Revenue Budget of £400,000 of which 50% is met by funding from

the Scottish Executive. The balance of £200,000 is requisitioned from the four constituent Councils, in line with the following apportionment (based on the Scottish Executive methodology of 95% population and 5% area):

| | | £ |
|----------------------------|-------------|----------------|
| Angus Council | 22.9% | 45,800 |
| Dundee City Council | 28.4% | 56,800 |
| Perth and Kinross Council | 30.3% | 60,600 |
| Stirling Council | 18.4% | 36,800 |
| Total Council Requisitions | <u>100%</u> | <u>200,000</u> |

The Scottish Executive also provided additional revenue funding for financial year 2006/2007 for specific areas of expenditure and these are listed below:

| | £ |
|-----------------------------------|----------------|
| Feasibility Studies | 55,000 |
| Regional Transport Strategy Grant | 265,000 |
| Transitional Costs | 194,000 |
| Travel Plan Grant | 65,000 |
| Total Specific Grants | <u>579,000</u> |

In addition, the Scottish Executive provided a budgeted grant of £3,328,000, to distribute to the four constituent Councils to undertake specific transport projects.

This gave the Partnership a total 2006/2007 budget of £4,307,000.

The Partnership Board received revenue monitoring reports during 2006/2007 in order to keep the members fully apprised as to the projected revenue budget outturn position.

2006/2007 was the first full year of operation of the Partnership and there was an overall underspend compared to budget of £1,089,000. This was primarily due to slippage on the specific projects undertaken by the four constituent Councils, which resulted in a significant reduction of £814,000 in the grant distributed to them by the Partnership.

There was an underspend on the original Core Budget of £239,000 mainly due to not appointing the Partnership Director until July 2006 and not relocating into the Partnership's headquarters until March 2007. This resulted in the Partnership only requesting fifty percent of the Councils' requisitions and a reduced grant from the Scottish Executive of £104,000. The final outturn position on the Core Budget was expenditure amounting to £161,000.

There was also a reduction in expenditure on several of the specific grants, again, due to the Partnership coming into operation later than originally anticipated. The outturn for the Regional Transport Strategy grant was £8,000 less than budget and there was an underspend of £7,000 in respect of the Travel Plan. There was also an underspend of £16,000 against the funding available for Transitional Costs, which can be claimed in 2007/2008.

Finally, in accordance with Financial Reporting Standard 17, entries reflected within the Income and Expenditure account in respect of pension costs resulted in a variance of £5,000.

The main reasons for the net expenditure underspend of £1,089,000 are summarised in the variance analysis below:

Staff Costs (Underspend £180,000)

Due mainly to delays in filling vacant posts.

Property Costs (Underspend £51,000)

Due to the later entry date than planned to Bordeaux House, Perth.

Supplies & Services (Underspend £10,000)

Due to the later entry date than planned to Bordeaux House, Perth.

Transport Costs (Underspend £2,000)
Due mainly to delays in filling vacant posts.

Third Party Payments (Underspend £834,000)
The main underspend is on the Capital Grant to the four constituent Councils of £814,000 due to slippage on the various projects.

Non-distributed Costs and Expected Return on Pension Assets (Underspend £12,000)

As the expenditure, with the exception of pension costs, is matched by income, there is a corresponding reduction in income of £1,084,000 as follows:

Requisitions from Scottish Executive (Reduced Income £949,000)
The amount distributed to the four constituent Councils was £814,000 less than budgeted. The Partnership requested only £104,000 from the Scottish Executive to match the expenditure incurred on the Core Budget, £96,000 less than originally available. However, only £95,000 of the grant was utilised in 2006/07 with £9,000 being unspent at the year end. In addition, £31,000 of the specific grant funding available was not utilised. Where appropriate, the amounts not spent in 2006/2007 will be utilised in 2007/08.

Requisitions from Councils (Reduced Income £135,000)
The Partnership requested only fifty percent (£100,000) of the Councils requisitions and has accounted for £35,000 of this being available to be returned to the Councils if required in 2007/2008.

8 GENERAL FUND

The Partnership has, under the Transport Act 2005, no powers to hold a balance on the General Fund, therefore any underspend requires to be accounted for as being creditors or amounts received in advance from the funding source.

9 CAPITAL EXPENDITURE

During 2006/2007, the Partnership did not incur any capital expenditure. However, it did issue £3,328,000 of grant to the four constituent Councils of which £2,514,000 was spent. This grant is classed as a capital grant to the Partnership by the Scottish Executive. The Scottish Executive has written to all Regional Transport Partnerships confirming that this is treated as grant-in-aid and any unspent grant can be carried forward to 2007/2008 for the specific projects.

Although the grant from the Scottish Executive is treated by them as a capital grant, it requires to be accounted for as revenue expenditure with the Partnership, as it was not used to create assets owned by the Partnership.

10 PENSION LIABILITY (FRS 17)

Under FRS 17 (Retirement Benefits) the Partnership is required to include figures in the Statement of Accounts relating to the assets, liabilities, income and expenditure related to the pension schemes for its employees. It has been estimated that the Partnership had a net pension liability of £261,000 as at 31 March 2007. Further information on the Pension assets and liabilities is detailed within the Core Financial Statements and within Note 7 to the Core Financial Statements.

11 2005/06 FINANCIAL YEAR COMPARATORS

Tactran was constituted on 1 December 2005. The only expenditure incurred prior to 31 March 2006 was £29,000 for transitional costs which was met by a grant from the Scottish Executive. These amounts are not considered to be material and the income and expenditure for 2005/2006 has been included within the 2006/2007 Statement of Accounts. As a result, there is no previous financial year to provide comparative figures for those quoted in the Core Financial Statements or Notes to the Core Financial Statements.

12 ACKNOWLEDGEMENTS

During the 2006/2007 financial year the Partnership's financial position has required continuous scrutiny and strict budgetary control. I would wish to place on record my appreciation of the excellent work carried out by the Partnership's officers, supported by the officers of Perth and Kinross Council, in controlling the Partnership's expenditure and income.

The control of expenditure and income is an ongoing and substantial exercise which requires a positive contribution from staff and elected members to ensure that the Partnerships financial objectives are achieved and that financial resources are fully utilised. This has been a particularly challenging task in the inaugural year of the Partnership.

Finally, I would conclude the report by thanking all staff who have contributed to the preparation of the Partnership's 2006/2007 Statement of Accounts.

John Symon ACA
Treasurer
Tactran
29 June 2007

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

STATEMENT OF ACCOUNTING POLICIES

GENERAL

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2006 (the 2006 SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

The Accounts are intended to present fairly the financial position and transactions of the Partnership and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

LEASES

Leases are categorised as either "finance" or "operating", in accordance with Statement of Standard Accounting Practice 21 (Accounting for Leases and Hire Purchase Contracts). Reference is also made to Financial Reporting Standard 5 (Reporting the Substance of Transactions) in determining the appropriate categorisation. Hire purchase contracts that bear the characteristics of a finance or operating lease are accounted for accordingly.

Operating Leases:

Where the Partnership is the lessee in an operating lease, the rentals payable (net of benefits received or receivable) are charged to revenue on a straight line basis over the term of the lease.

GOVERNMENT GRANTS

The Partnership received substantial grant funding from the Scottish Executive in 2006/2007. This was used to finance the Partnership's expenditure programme. Government grants are accounted for on an accruals basis and are credited to the Income and Expenditure account.

REVENUE TRANSACTIONS

Revenue transactions are included in the accounts on an accruals basis, they are recognised as they are earned or incurred, not as money is received or paid.

REVENUE DEBTORS AND CREDITORS

All specific and material sums payable to and due by the Partnership as at 31 March 2007 have been brought into account. All salaries and wages payable up to 31 March 2007 are included in the Statement of Accounts for that year, irrespective of when actual payments were made. Sundry creditors and debtors include all specific accruals in respect of further material items.

INSURANCE

Expenditure included in the Statement of Accounts relates to premiums paid.

PENSIONS

The Partnership participates in the Local Government Pension Scheme, which is a defined benefits scheme related to pay and service. The Pension Costs included in the accounts have been determined in accordance with Financial Reporting Standard 17 (Retirement Benefits).

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2007

| 2005/06 | | Gross | | Net |
|--|-------|-------------|--------------|-----------------|
| £000 | Notes | Expenditure | Income | Expenditure |
| | | £000 | £000 | £000 |
| SERVICES | | | | |
| - Roads and Transport | | 702 | -596 | 106 |
| - Grants for Capital Expenditure | | 2,515 | -2,515 | 0 |
| - Corporate & Democratic Core | 6 | 13 | 0 | 13 |
| - Non-Distributed Costs | 7 | -16 | 0 | -16 |
| <hr/> | | | | |
| - NET COST OF SERVICES | | <hr/> 3,214 | <hr/> -3,111 | <hr/> 103 |
| - Interest and Investment Income | | | | -47 |
| - Pensions Interest Costs and Expected Return on Pension Assets | 7 | | | 4 |
| <hr/> | | | | |
| - NET OPERATING EXPENDITURE | | | | <hr/> 60 |
| - Constituent Council Requisitions | | | | -65 |
| <hr/> | | | | |
| - SURPLUS FOR THE YEAR | | | | <hr/> -5 |

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Partnership's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Partnership is funded on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

For the year ended 31 March 2007

2005/06

| £000 | £000 |
|---|---------|
| - Surplus in the Income and Expenditure Account | -5 |
| - Net Additional Amount required by Statute or Non-Statutory Proper Practices to be debited to the General Fund Balance for the year (note 7) | 5 |
| <hr/> - General Fund (Surplus) / Deficit | <hr/> 0 |
| - General Fund Balance Brought Forward | 0 |
| <hr/> - General Fund Balance Carried Forward | <hr/> 0 |

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Partnership for the year and shows the aggregate in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to re-measurement of the net liability to cover the cost of retirement benefits.

For the year ended 31 March 2007

| 2005/06 | |
|--|------------------------|
| £000 | £000 |
| - Surplus on the Income and Expenditure Account for the Year | -5 |
| - Actuarial Loss on Pension Assets and Liabilities (note 6) | 266 |
| <hr/> - Total Recognised Losses for the Year <hr/> | <hr/> 261 <hr/> |

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

BALANCE SHEET

| As at 31 March 2006 | £000 | £000 | Ref Note No | As at 31 March 2007 | £000 | £000 |
|--|----------|------|-----------------------|---------------------------|------|----------------|
| Current Assets | | | | | | |
| - | | | 11 | 301 | | |
| - | | | | <u>3,104</u> | | |
| | <u>-</u> | | | | | <u>3,405</u> |
| <u>Less Current Liabilities</u> | | | | | | |
| - | | | 12 | <u>(3,405)</u> | | |
| | <u>-</u> | | | | | <u>(3,405)</u> |
| Total Assets Less Current Liabilities | | | | | | 0 |
| - | | | 7 | <u>(261)</u> | | |
| | <u>-</u> | | | | | <u>(261)</u> |
| Financed by Fund Balances and Reserves: | | | | | | |
| | | | | | | |
| | | | | | | |
| - | | | | <u>(261)</u> | | |
| | <u>-</u> | | | | | <u>(261)</u> |
| | <u>-</u> | | | | | <u>(261)</u> |

J Symon ACA
Treasurer
Tactran
29 June 2007

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

CASH FLOW STATEMENT

| 2005/2006 | | Ref Note No | 2006/2007 | |
|---|---|----------------|----------------|----------------|
| £000 | £000 | | £000 | £000 |
| Revenue Activities | | | | |
| Cash Outflows: | | | | |
| - | Cash Paid To and On Behalf Of Employees | | 78 | |
| - | Other Operating Cash Payments | | 722 | |
| | | | <u>722</u> | |
| | | | | <u>800</u> |
| Cash Inflows: | | | | |
| - | Cash Received from Requisitions/Recharges | | (100) | |
| - | Cash Received from Government Grants | | (3,757) | |
| | | | <u>(3,757)</u> | |
| | | | | <u>(3,857)</u> |
| - Net Cash Inflow from Revenue Activities | | 15 | | (3,057) |
| Returns on Investment and Servicing of Finance | | | | |
| Cash Inflows: | | | | |
| - | Interest Received | | (47) | |
| | | | <u>(47)</u> | |
| | | | | <u>(47)</u> |
| - Net Increase in Cash | | 16 | | <u>(3,104)</u> |

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2006/2007 there were no acquired or discontinued operations.

2 EXCEPTIONAL AND EXTRAORDINARY ITEMS

In 2006/2007 there were no exceptional or extraordinary items.

3 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires the Partnership to keep a separate account of expenditure on publicity. During 2006/2007 the Partnership incurred the expenditure shown below on publicity:

| | 2006/2007 £ |
|------------------------|----------------|
| Employment Advertising | 20,117 |
| Publicity Advertising | 847 |
| | <hr/> |
| | <u>20,964</u> |

4 OFFICERS REMUNERATION

The following table shows the number of employees whose whole taxable remuneration fell within the specified banding:

| Salary Banding | Number of Employees 2006/2007 |
|-------------------|----------------------------------|
| £50,000 - £59,999 | 1 |

5 TRANSACTIONS WITH RELATED PARTIES

The four Constituent Councils are considered to be related parties of *Tactran*, in terms of the Accounting Code of Practice, as both are subject to common control by Central Government. During the 2006/2007 financial year, the Partnership entered into a number of transactions with the constituent Councils and these are detailed as follows:

2006/2007

| | Income From £ | Payments To £ |
|----------------------------|---------------------|---------------------|
| Angus Council | | |
| <i>Tactran</i> Requisition | (14,885) | 0 |
| Printing Services | 0 | 5,152 |
| Capital Grant | 0 | 730,000 |
| | <hr/> | <hr/> |
| | <u>(14,885)</u> | <u>735,152</u> |
| Dundee City Council | | |
| <i>Tactran</i> Requisition | (18,460) | 0 |
| Feasibility Studies | 0 | 40,000 |
| Travel Plan Materials | 0 | 7,755 |
| Capital Grant | 0 | 606,426 |
| | <hr/> | <hr/> |
| | <u>(18,460)</u> | <u>654,181</u> |

Table Continued

2006/2007

| | Income From £ | Payments To £ |
|------------------------------------|------------------------------|------------------------------|
| Perth & Kinross Council | | |
| <i>Tactran</i> Requisition | (19,695) | 0 |
| Interest Receivable | (46,602) | 0 |
| Central Support Services | 0 | 24,000 |
| Other Staff Costs | 0 | 808 |
| Other Supplies and Services | 0 | 43,626 |
| Third Party Payments | 0 | 4,226 |
| Property Costs | 0 | 12,220 |
| Transport Costs | 0 | 289 |
| Capital Grant | 0 | 787,099 |
| | <u>(66,297)</u> | <u>872,268</u> |
| Stirling Council | | |
| <i>Tactran</i> Requisition | (11,960) | 0 |
| Feasibility Studies | 0 | 15,428 |
| Capital Grant | 0 | 390,706 |
| | <u>(11,960)</u> | <u>406,134</u> |

6 EXTERNAL AUDIT FEES

The external auditors of the Partnership are appointed by the Accounts Commission for Scotland, for a period of 5 years. The total fee payable to Henderson Loggie in respect of the 2006/2007 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £12,643.

During 2006/2007, the external auditor did not provide any other services to the Partnership other than the duties undertaken in accordance with the Code of Audit Practice.

7 PENSION COSTS

In accordance with Financial Reporting Standard 17 (Retirement Benefits) (FRS 17), the Partnership is required to include figures in its Statement of Accounts relating to assets, liabilities, income and expenditure related to pension scheme for its employees. The standard requires employing organisations to account for retirement benefits in the period in which they are committed to give them, even if the actual payment of these benefits will be many years in the future.

The Partnership participates in the Local Government Superannuation Scheme (Tayside Superannuation Fund), which is administered by Dundee City Council and is a Defined Benefits Scheme. The Partnership is recognised as a Scheduled Body within the Superannuation Regulations and therefore its employees can be admitted to the Fund.

The Tayside Superannuation Fund is subject to triennial revaluation with the last full review being at 31 March 2005. Under Pension Regulations, employer's contribution rates are set to meet 100% of the overall liabilities of the Fund. In 2006/2007 the Partnership paid an employer's contribution of £9,875 into the Tayside Superannuation Fund.

The table below summarises the entries reflected within the Income and Expenditure account in respect of accounting for pension costs under FRS 17:

| | 2006/2007 |
|---|------------------|
| | £ |
| Operating Costs | |
| Current Service Cost | 16,967 |
| Past Service Cost | (16,403) |
| | — |
| Total Operating Charge | 564 |
| Expected Returns | |
| Expected Return on Employer Assets | 284 |
| Interest on Pension Scheme Liabilities | (4,431) |
| | — |
| Net Return/(Charge) | (4,147) |
| | — |
| | — |
| Net Charge to the Income and Expenditure Account | 4,711 |
| | — |

ACOP requires information to be provided in the notes to the accounts on the Council's assets and liabilities arising from its retirement benefit obligations as defined under FRS 17. The Fund Actuary has used the following financial assumptions to value the Partnership's share of the assets and liabilities of the Fund as at 31 March 2007:

| | 2006/2007 |
|---|------------------|
| Rate of inflation | 3.3% |
| Rate of increase in salaries | 4.8% |
| Rate of increase in pensions | 3.3% |
| Rate for discounting scheme liabilities | 5.4% |

The Actuaries' assessment of the share of the Funds' assets and liabilities attributable to the Partnership at 31 March 2007 is set out below. The estimates have been prepared in accordance with guidance on accounting for retirement benefits under FRS 17 issued by the Institute and Faculty of Actuaries:

| | 31 March 2007 | Expected Return |
|-------------------------------------|----------------------|------------------------|
| | £ | % Per Annum |
| Assets | | |
| Equities | 193,715 | 7.2% |
| Gilts | 28,785 | 4.4% |
| Bonds | 11,073 | 5.4% |
| Property | 29,293 | 6.7% |
| Cash | 6,109 | 5.0% |
| | — | |
| Estimated Employer Assets | 268,975 | 6.7% |
| Present Value of Scheme Liabilities | (530,385) | |
| | — | |
| Net Pension Liability | <u>(261,410)</u> | |

The movement in the Fund during 2006/2007 attributable to the Partnership is analysed below in accordance with CIPFA/LASSAC guidelines:

| | 2006/2007 | |
|---|------------------|------------------|
| | £ | £ |
| Deficit at 1 April 2006 | | 0 |
| Current Service Cost | (16,967) | |
| Employer Contributions | 9,875 | |
| Past Service Cost | 16,403 | |
| Expected Net Return on Assets in the Scheme | <u>(4,147)</u> | |
| | | 5,164 |
| Actuarial (Losses) | | (266,574) |
| | | <hr/> |
| Deficit at 31 March 2007 | | <u>(261,410)</u> |

The history of experience gains and losses is as follows:

| | 2006/07 Pensions Reserve £ |
|---|---|
| Balance Brought Forward at 1 April 2006 | 0 |
| <u>Movements in Revenue Resources</u> | |
| Appropriations to Revenue | 5,164 |
| Difference between Expected and Actual Return on Pensions Assets (representing 0% of the value of attributable scheme assets at 31 March 2007) | 89 |
| Experience gains arising on the scheme liabilities (representing 56% of the value of attributable scheme liabilities at 31 March 2007) | (298,018) |
| Changes in financial assumptions underlying the present value of scheme liabilities (representing 5.9% of the value of attributable scheme liabilities at 31 March 2007) | 31,355 |
| Balance as at 31 March 2007 – Net Pension Liability | <u>(261,410)</u> |

8 RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The following provides an analysis of the additional items required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year.

| | 2006/2007 £ |
|---|----------------|
| Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year | |
| Net charge made for retirement benefits in accordance with FRS 17 | (4,711) |
| Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year | |
| Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | 9,875 |
| Net additional amount required to be debited to the General Fund balance for the year | <u>5,164</u> |

9 FINANCE AND OPERATING LEASES

Partnership as Lessee

The Partnership held no assets on finance lease during 2006/2007 and, accordingly, there were no finance lease rentals paid to lessors during 2006/2007. The Partnership occupied office premises in Perth on an operating lease commencing in November 2006. However, no payment was made during 2006/2007 as there is no charge for the initial 6 month period of the lease. The lease is for a period of 6 years with an option to break after 3 years. The annual rent is £12,000 to be reviewed after 3 years.

Partnership as Lessor

The Partnership had no assets leased to third parties on finance or operating leases during 2006/2007.

10 CONTINGENT ASSETS AND LIABILITIES

No contingent assets or liabilities existed at 31 March 2007.

11 DEBTORS

| | 2006/2007 £ |
|------------------------------------|----------------|
| <u>Current (Due within 1 year)</u> | |
| Revenues and Customs | 48 |
| Government Grants | 253 |
| | <u>301</u> |

12 CREDITORS

| | 2006/2007 £ |
|--|----------------|
| Government Grants (Paid in advance or repayable) | 870 |
| Angus Council | 716 |
| Dundee City Council | 204 |
| Perth and Kinross Council | 786 |
| Stirling Council | 413 |
| Payroll Deductions | 13 |
| Other | 403 |
| | <u>3,405</u> |

13 BALANCES WITH RELATED PARTIES

The four Constituent Councils are considered to be related parties of *Tactran*, in terms of the Accounting Code of Practice, as both are subject to common control by Central Government. The following balances existed between the Partnership and its related parties as at 31 March 2007.

31 March 2007

| | Amount Due To/ Received In Advance From £ |
|------------------------------------|--|
| Angus Council | |
| <i>Tactran</i> Requisition | 8,015 |
| Printing Services | 560 |
| Capital Grant | 707,314 |
| | ----- |
| | 715,889 |
| | ----- |
| Dundee City Council | |
| <i>Tactran</i> Requisition | 9,940 |
| Feasibility Studies | 40,000 |
| Travel Plan Materials | 7,755 |
| Capital Grant | 146,766 |
| | ----- |
| | 204,461 |
| | ----- |
| Perth & Kinross Council | |
| <i>Tactran</i> Requisition | 10,605 |
| Other Staff Costs | 10 |
| Other Supplies and Services | 33,186 |
| Third Party Payments | 4,226 |
| Property Costs | 10,570 |
| Transport Costs | 289 |
| Capital Grant | 727,463 |
| | ----- |
| | 786,349 |
| | ----- |
| Stirling Council | |
| <i>Tactran</i> Requisition | 6,440 |
| Feasibility Studies | 15,428 |
| Capital Grant | 390,706 |
| | ----- |
| | 412,574 |
| | ----- |

14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to 31 March 2007 that would have an impact on the financial statements.

15 RECONCILIATION OF REVENUE ACCOUNT SURPLUS/DEFICIT TO NET CASH FLOW FROM REVENUE ACTIVITIES

| | 2006/2007 | |
|--|-----------|--------------|
| | £000 | £000 |
| Surplus for year per the Income and Expenditure Account | | 5 |
| Items on a Non-Cash Basis | | |
| FRS 17 Adjustments | (5) | |
| | — | 0 |
| Items on an Accrual Basis | | |
| Increase in Debtors | (301) | |
| Increase in Creditors | 3,405 | |
| | — | 3,104 |
| Items Classified Elsewhere in the Cash Flow Statement | | |
| Interest Receivable | (47) | |
| | — | (47) |
| Net Cash Inflow from Revenue Activities | | <u>3,057</u> |

16 RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET FUNDS

| | 2006/2007 | | | |
|--|---------------------|-------------------|-----------------|----------------------|
| | £000 | | | |
| Increase in Cash in the Period | | 3,104 | | |
| Change in Net Funds | | — | 3,104 | |
| Opening Net Funds at 1 April 2006 | | | 0 | |
| Closing Net Funds at 31 March 2007 | | | <u>3,104</u> | |
| Analysis of Movement in Net Funds | | | | |
| | 1 April 2006 | Cash Flows | Non Cash | 31 March 2007 |
| | £000 | £000 | Changes | £000 |
| Cash | | | £000 | |
| Bank Balance | 0 | 3,104 | 0 | 3,104 |
| | — | — | — | — |
| Total Net Funds | <u>0</u> | <u>3,104</u> | <u>0</u> | <u>3,104</u> |

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2006/2007 Statement of Accounts for the Tayside and Central Scotland Transport Partnership. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by senior officials and staff of the Partnership. In particular, the system includes:

- a revenue budget system;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- annual financial reports which indicate actual financial performance against budget;
- clearly defined financial regulations, powers of delegation and scheme of administration; and
- setting targets to measure financial and other performance

Tactran works in partnership with Perth and Kinross Council, which provides an internal audit service to *Tactran*. During 2006/2007, the internal audit service undertook audits in line with the Councils audit plan.

Our review of the effectiveness of the system of internal financial control is informed by:

- the work of senior officials and staff of the Partnership;
- the work done by the Internal audit team of Perth and Kinross Council, as described above;
- assurances received from the Partnership Board; and
- the external auditors in their annual audit letter and any other reports

In conclusion, we are not aware of any significant weaknesses or failures in the Partnership's system of internal financial control that could have a material effect on the operations of the Partnership.



John Symon ACA
Treasurer
Tactran
29 June 2007

Eric Guthrie
Partnership Director
Tactran
29 June 2007

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Partnership's responsibilities

The Partnership is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Partnership, that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Partnership's statement of accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents fairly the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2007.

John Symon ACA
Treasurer
Tactran
29 June 2007

Independent auditors' report to the members of Tayside and Central Scotland Transport Partnership and the Accounts Commission for Scotland

We certify that we have audited the financial statements of the Tayside and Central Scotland Transport Partnership (Tactran) for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

We report our opinion as to whether the financial statements present fairly the financial position of Tactran in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if Tactran has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects Tactran's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risk and controls. Neither are we required to form an opinion on the effectiveness of the partnership's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only Members and Officials 2006/07 and the Report by the Partnership Director. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of Tayside and Central Scotland Transport Partnership as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Henderson Loggie
Chartered Accountants
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

Date
29 August 2007